

# Promotion of United Group Management



Kenji Sekiguchi, who has held various positions thus far, including that of director of the Company and president of Nagasakiya Co., Ltd., assumed the role of president and representative director of UNY Co., Ltd. in April 2019. The PPIH Group is currently faced with the need to unite with its newest member, the UNY Group, so that they can grow together and accomplish their shared mission. However, the employees of the UNY Group are no doubt filled with concern and confusion with regard to their future. To address these concerns, newly appointed President Sekiguchi held a series of 66 small meetings with UNY's roughly 4,200 employees beginning in April 2019. In October of this year, several of UNY's mates\* were assembled at a meeting to take part in a frank discussion on the prospects of united Group management.

## Kenji Sekiguchi

Director and Managing Executive Officer, Pan Pacific International Holdings Corporation  
President and Representative Director, UNY Co., Ltd.

\* Part-time employees are referred to as "mates" as an expression of comradery.

### Excerpts from Meeting with Mates (Held on October 9, 2019)

**Sekiguchi** Greetings, everyone. My name is Kenji Sekiguchi, and I became president of UNY in April 2019. I assume that the questions on most of your minds are "What will happen to UNY in the future?" and "Will Apita and Piago be made into Don Quijote stores?" To succinctly answer these questions, let me say that my job is to get Apita and Piago to a stage of growth.

As for how UNY will change, the main adjustment will be from management as a chain to management on an individual-store basis.

Put simply, management on an individual-store basis means that the employees of each store will be given responsibility for deciding how their stores will be run. The competition faced and customers served differ between business areas, and it is the people working on the front lines who are most capable of sensing these differences. The corporate function that issued orders and directions under the chain store management model will also change under the model of management on an individual-store basis. The role of the corporate function in this model will be to support stores and to support you in doing what you want to do with your store. Of course, this change will not be implemented immediately. We do, however, expect that the next two to three years will be a period of massive transformation. We will complete

this transformation, even if it takes five years. To do so, I want to hear your opinions. I am still not that well versed on Apita and Piago. For this reason, I hope to learn about these stores from you, the employees who are working on the front lines of operations.

**Mate A** The shift to management on an individual-store basis has made us a lot busier as we are now responsible for everything, from business negotiations and ordering to store operations and shelf stocking. Meanwhile, there are full-time employees who do not have an area of responsibility or who only stock shelves. Such employees still get paid more than mates, a fact that is demoralizing.

**Sekiguchi** I understand completely. We are currently in the process of revising personnel systems for both mates and full-time employees. The plan at the moment is to pay the current bonuses on top of hourly wages while introducing a new bonus system. This approach is based on our desire to create new compensation systems for employees who stand up and declare the areas in which they are able to generate revenues. Personnel expenses may go up, for which we must secure a budget, but we see that as an investment. I think the area in greatest need of funding is the salary of our mates.



**Mate B** It was stated that if we work hard, it will be reflected in our pay. Who will be evaluating our performance? Under the current evaluation systems, I am unsure whether my efforts are being evaluated accurately.

**Sekiguchi** Under the current systems, personnel evaluations are the responsibility of the deputy store manager, who is a full-time employee. This individual evaluates mates based on reports from employees in lower management positions. I believe that organizations with multilayered hierarchies do not function effectively. What we need is a flat organization where there is a store manager and everyone else—whether full-time, part-time, or dispatch—is treated the same. In this organization, it will be important to incorporate evaluation items that look at who holds what skills and what contributions are being made to the store. These items should be something that the store manager looks at. We are considering such factors as we develop the new personnel evaluation systems.

**Mate C** My store is going to close in January 2020 to be reopened as a MEGA Don Quijote UNY store in March. I am scheduled to be interviewed by the new store manager in October 2019, but I am worried that my employment will not be continued due to my age.

**Sekiguchi** There are currently around 20 MEGA Don Quijote UNY stores and the employment conditions of all mates at these stores have been continued under their prior terms. However, as there are not many mates who wish to work late-night hours, we expect to hire several new employees to fill those slots. As the conversion entails an increase in employees, personnel expenses tend to rise by about 50%, but there have been no cases of the Company or of stores asking employees to quit. I do not think that there is an age limit to one's ability to work, and we intend to continue to employ anyone with a desire to work.

**Mate D** My store does not have enough employees. On top of that, our wages are too low, meaning that no one will apply even if we try to recruit.

**Sekiguchi** I understand that employee shortage is a serious problem. We are in an era in which one would be wrong to think that employees can be attracted under the minimum wage. Using an agriculture analogy, management on an individual-store basis is akin to removing pests by hand, such as when growing organic vegetables, rather than dusting with agrichemicals; it requires significant labor. That labor is handled by employees, who are predominantly mates. What I mean to say is, it is imperative to have a sufficient number of mates.

In mates, we look for people who go beyond just performing tasks to actively generate revenues. This is why we do not hesitate to invest in this area.

### After the Meeting

**Sekiguchi** There were people who voiced their questions from a place of concern, but there were also many that offered input on the courses of action they wanted from us. Perhaps the most noteworthy comment in this vein was a criticism of the personnel systems, specifically about how little mates get paid, despite how much they work. There was a lot of promise in several of the opinions, and I therefore realize the importance of incorporating this input into our personnel systems in order to ensure that mates are accepting of them. I also liked how dedicated everyone was. I suspect that they had diligently followed the directions of their company up until now. They are a bit nervous given the change of policy, but I am confident that they will keep working diligently going forward.



## Frameworks Underpinning Organizational Structure That Cannot Be Mimicked by Our Rivals

### Cultivation of Organizational Structure Supporting Ongoing Innovation

Many Japanese companies place great emphasis on seniority, which makes it difficult for them to empower employees to the extent that we do. At the PPIH Group, we do not focus on bringing people's actions in line with manuals and rules, but rather emphasize the ability of employees to continue generating innovation. For this reason, we have introduced systems for drawing out the individuality and talents of every employee in order to cultivate a corporate culture that supports ongoing innovation.

Furthermore, we have established the Corporate Philosophy Promotion Headquarters for the purpose of disseminating *Genryu*, a collection of our corporate principles, with the aim of further entrenching the PPIH Group's unique DNA and

creating an organizational structure that cannot be mimicked by our rivals. Another focus is the development of workplace environments that enable diverse human resources to continue working under this framework over the long term.

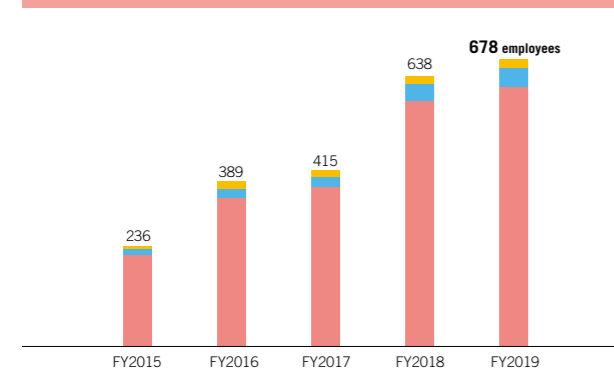
- **Delegation of authority** contributing to swift decision-making
- **Localization** enabling stores to connect with communities
- **Store discretion** allowing frontline employees to lead shop floor development
- **Performance-linked compensation system** increasing employee motivation by rewarding results
- **Complete meritocracy** blind to seniority
- **Optimal placement** drawing out the potential of all employees

#### Empowerment of Employees through Work-Style Reforms

The PPIH Group is developing workplace environments that allow all employees to feel highly motivated in their work. For example, we offer shorter shifts for women, senior citizens, and other employees who face limitations in the numbers of hours or times of day that they are able to work, in order to help every employee choose from among a diverse range of work styles the one that is most suited to them.

In addition, we actively promote part-time employees to full-time positions (both new graduates and mid-career hires). The recruitment of highly motivated individuals who understand our corporate culture helps new hires begin making contributions immediately after joining, while increasing productivity and reducing turnover rates. In the fiscal year ended June 30, 2019, 25.7% of the full-time employees we recruited were previously part-time employees.

Number of Employees Taking Maternity Leave, Childcare Leave, or Nursing Care Leave, or Those Working Short Hours for Childcare Reasons (Including part-time employees)



Legend:  
 ■ Number of employees taking maternity leave or childcare leave  
 ■ Number of employees on short work hours for childcare  
 ■ Number of employees taking nursing care leave  
 Scope: Major domestic Group companies excluding UNY Co., Ltd.

#### Promotion of Individuality of Diverse Employees

The PPIH Group believes that delegating a wide range of authority to employees with varied values and individuality and cultivating employees who can think and act autonomously will help foster a corporate culture that continuously generates innovation. For this reason, a dedicated organization has been established to promote diversity with the aim of cultivating such a corporate culture through the combination of the individuality and values of all employees, regardless of gender, age, nationality, physical or mental characteristics, sexual preference, or gender identity.

Particular effort will be devoted to the cultivation of non-Japanese employees going forward to accommodate our overseas expansion and to cater to the growing inbound demand. To this end, we will seek to entrench understanding of *Genryu* (The Source) among non-Japanese employees to instill in them our fundamental founding spirit and DNA that have lived on since our founding.



Significant authority is delegated to all employees equally, regardless of their nationality, in order to empower them and promote mutual growth.

#### Organizational Reforms to Support the Dedicated Practice of "Genryu Management"

In February 2019, massive organizational reforms were implemented for ensuring that our actions and sales strategies are congruent with *Genryu* and for promoting thorough localization. Sales departments were reorganized to form the Sales Support Headquarters, while the new Corporate Philosophy Promotion Headquarters was established. The latter was created to play a central role in promoting the

dedicated practice of "Genryu Management" in order to further entrench the PPIH Group's unique DNA.

Meanwhile, fostering unity with UNY, the newest member of the Group, is a pressing task. We believe that spreading understanding of the spirit of *Genryu* will make it possible for all Group members to grow toward the fulfillment of the same mission.

#### Genryu Missionaries Communicating Corporate Principles to New Employees

The PPIH Group works to deepen understanding of *Genryu*. Efforts to this end include annual standard *Genryu* tests for all employees as well as biannual *Genryu* missionary certification tests. *Genryu* missionaries are employees expected to understand and practice the teachings of *Genryu* and to communicate these principles to mates and other employees. Only the employees who have passed the extraordinarily difficult certification test are allowed to become missionaries, and these individuals thus have a central role to play in the dedicated practice of "Genryu Management."

In addition, *Genryu* reading sessions are held for UNY Group employees twice a week, and in-store implementation training is conducted on an ongoing basis. We anticipate that fostering a true understanding of *Genryu* among UNY Group employees will help raise awareness of the fact that we are all members of the same group and thereby contribute to increased solidarity.



Employees taking Genryu missionary certification test



Genryu training for UNY employees

Genryu Missionaries

564

Pass Rate for May 2019  
Genryu Missionary Certification Test

22.7%

#### Message from Genryu Training Participant

When the *Genryu* missionary was explaining *Genryu*, I could see how passionate they were about educating us members of UNY about *Genryu*. The sense of speed with regard to one's work differs between Don Quijote and UNY. At Don Quijote, if an approach is found to be ineffective, the next approach is decided and implemented immediately. Reading *Genryu* made me realize that the speed of Don Quijote's PDCA (plan-do-check-act) cycle and its decisiveness were things that I could incorporate into my current work. *Genryu* is a much more prolific document than we had originally thought. I now recognize the need for us UNY employees to change as well.

**Yoshiki Hara**

MEGA Don Quijote UNY Denpoji  
UD Retail Co., Ltd.  
(Seconded from UNY Co., Ltd.)

